



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



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SUPERINTENDENT OF
PUBLIC INSTRUCTION

March 12, 2003

TO: School District Audit Firms

FROM: Kathy Weller, Director, Office of Audits *KW*
Susan Anderson, Director, Office of School Support Services *SA*

SUBJECT: Changes in USDA Entitlement and Bonus Commodity Inventory

The purpose of this letter is to alert you to changes in inventory control regulations for USDA Entitlement and Bonus Commodities under the MDE Food Service Administrative Policy #6, SY 2002-2003, issued January 10, 2003 (with further clarification coming in Administrative Policy #7). This new policy became effective November 22, 2002. In a nutshell, the policy allows recipient agencies (ISDs, school districts, and public school academies) to inventory commodity and commercial products together.

This change should not affect the Food and Nutrition Year-End Report, which is based on the actual cost of the commodities (processing and delivery only). This change will affect the schools' Schedule of Expenditures of Federal Awards (SEFA), if the district is required to prepare one under the Single Audit Act. The Recipient Entitlement Balance Report (PAL Report) will continue to be a source document for verifying the market value of commodity receipts. We recommend that recipient agencies use the value of commodities delivered to them during the audit period as the value of commodities used, i.e., use the PAL Report for expenditures reported on the SEFA.

For the first year of implementation (SY 2002-2003), any prior year inventory (deferred revenue) reported on the SEFA for USDA commodities will need to be expensed along with the current year receipts.

Thank you for your attention to this matter.

cc: ISD and LEA Business Managers

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